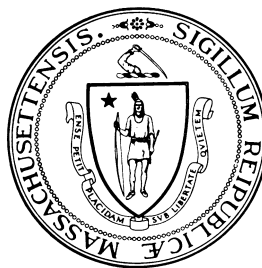


Massachusetts Division of Health Care Finance and Policy

Uncompensated Care Pool PFY03 Annual Report

June 2004



Mitt Romney, Governor
Commonwealth of Massachusetts

Ronald Preston, Secretary
Executive Office of Health and Human Services

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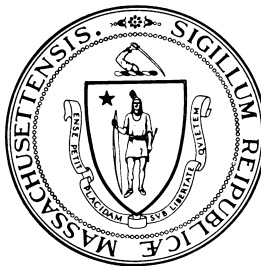


Table of Contents

A Word About the Division •	v
Section 1: Introduction •	1
Section 2: Uncompensated Care Pool •	3
Section 3: Sources of Funds •	5
Hospitals	5
Surcharge	6
General Fund	6
Additional Funding for Uncompensated Care	7
Section 4: Uses of Funds •	9
Uncompensated Care Charges for PFY03	9
PFY03 Uncompensated Care Pool Hospital Surcharge and Payment Calculations	19
Community Health Center Payments for Uncompensated Care, PFY03	19
Section 5: Demonstration Projects •	21
Ecu-Health Care, Inc. and Hampshire Health Access	21
The Massachusetts Fishermen’s Partnership, Inc.	21
Demonstrations Improving Care and Reducing Costs for Uninsured Individuals	22
Section 6: PFY03 Pool Status •	23
Section 7: Pool Settlements •	25
Section 8: Pool Management and Data Collection •	29
Eligibility	29
Audits	32
Section 9: Conclusion •	33
Production Notes •	37

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A Word About the Division

Satisfying the Need for Health Care Information

The effectiveness of the health care system depends in part upon the availability of information. In order for this system to function properly, purchasers must have accurate and useful information about quality, pricing, supply and available alternatives. Providers need information on the productivity and efficiency of their business operations to develop strategies to improve the effectiveness of the services they deliver. State policy makers need to be advised of the present health care environment, as they consider where policy investigation or action may be appropriate.

As part of its health care information program, the Division publishes reports that focus on various health care policy and market issues.

The Division of Health Care Finance and Policy collects, analyzes and disseminates information with the goal of improving the quality, efficiency and effectiveness of the health care delivery system in Massachusetts. In addition, the Division administers the Uncompensated Care Pool, a fund that reimburses Massachusetts acute care hospitals and community health centers for services provided to uninsured and underinsured people.

Mission

To improve the delivery and financing of health care by providing information, developing policies, and promoting efficiencies that benefit the people of Massachusetts. Agency goals:

- Assure the availability of relevant health care delivery system data to meet the needs of health care purchasers, providers, consumers and policy makers;
- Advise and inform decision makers in the development of effective health care policies;
- Develop health care pricing strategies that support the cost effective procurement of high quality services for public beneficiaries; and
- Improve access to health care for low-income uninsured and underinsured residents.

Section 1: Introduction

The Massachusetts Division of Health Care Finance and Policy files reports annually on the status of the Uncompensated Care Pool (the Pool) with the Executive Office of Health and Human Services and the Joint Committee on Health Care.

This report contains complete information on PFY03. It contains a significant

amount of technical information about the Pool, including an update on the status of the Pool as of the end of PFY03, the sources of funding, and the uses of Pool funds. It also contains detailed information on Pool liability to hospitals, information on payments to community health centers, Pool surplus/shortfall analyses, and information on final settlements with hospitals.

Calculations contained in this report are based upon the most recently available data from the Division of Health Care Finance and Policy. The Division uses a Pool Fiscal Year (PFY) for its calculations, which corresponds to hospitals' fiscal year (October 1 to September 30). This report contains the most up-to-date figures available for PFY03.

Section 2: Uncompensated Care Pool

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and community health centers (CHCs) to low-income uninsured and underinsured people. Patients can apply for free care at any acute care hospital or CHC.

The Massachusetts legislature established the Uncompensated Care Pool in

1985 as a financing mechanism to distribute the burden of bad debt and of providing free care (together known as “uncompensated care”) more equitably among acute care hospitals. The creation of the Pool was intended to help pay for the costs of providing care to the uninsured, and also to eliminate financial disincentives that a hospital might have to providing such care.

Section 3:

Sources of Funds

amounts of funding available to the Pool in PFY03. Detailed information about these funding sources follows.

Hospital Payments

The Uncompensated Care Pool is primarily funded from three sources: an assessment on acute hospitals' private sector charges; a surcharge on payments made to hospitals and ambulatory surgical centers by payers, including HMOs, insurers, and individuals; and an annual appropriation from the Commonwealth's General Fund. Smaller amounts from other sources may also be available in some years. Table 1 below summarizes the sources and

The total amount paid by all hospitals into the Pool is established by the legislature. In the FY03 state budget the legislature maintained the PFY02 total hospital assessment of \$170 million as established in the previous year's state budget. Each individual hospital's assessment is calculated by multiplying the hospital's private sector charges by the uniform allowance. The uniform allowance is calculated by dividing the total assessment (\$170 million) by the total private sector charges from all hospitals statewide, and is currently approximately 1.528% (see Table 4 on pages 14-17 for each hospital's annual liability to the Pool).

Table 1: Uncompensated Care Funding

	PFY03
Statutory Funding	
Hospital Assessment	\$170,000,000
Surcharge on Payments to Hospitals	\$100,000,000
State Appropriation	\$45,000,000
Total Uncompensated Care Pool Funding	\$315,000,000
Other Funds	
Transfer from the Tobacco Settlement Fund	\$30,000,000
Total Funds Available for Uncompensated Care	\$345,000,000

Surcharge Payments

The total amount to be collected via the surcharge is also established by the Massachusetts legislature. The Division of Health Care Finance and Policy sets the surcharge percentage at a level to produce the total amount specified by the legislature. For PFY03, that amount equals \$100 million. If the Division collects more than \$100 million in one year, the Division reduces the surcharge percentage in subsequent years. The surcharge percentage was 3.0% for PFY00, 1.8% for PFY01, 2.15% for PFY02, and 1.85% for PFY03.

Over 1,300 registered surcharge payers are currently making and reporting monthly payments to the Pool. Table 2 below lists the top surcharge payers and their contributions. Both providers and payers file reports with the Division of Health Care Finance and Policy that are analyzed to ensure that

surcharge payers are paying appropriate surcharge amounts. For example, hospitals and ambulatory surgical centers report possibly unregistered payers so that the Division may initiate appropriate follow-up.

General Fund

The state legislature also appropriates \$30 million annually to the Uncompensated Care Pool. This amount is a portion of the federal matching funds (FFP) generated by the Pool. For PFY03 the legislature increased the appropriated amount to \$45 million as a one-time increase.

Additional Funding for Uncompensated Care

Since state FY98, the Commonwealth has been able to access an additional \$70 million annually through a supplemental

Table 2: Surcharge Collections

Surcharge Payer	Collections PFY02	% to Total PFY02
BCBS Massachusetts	\$36,169,411	38%
HPHC*	17,740,065	18%
Tufts HMO	9,008,945	9%
Aetna	2,230,133	2%
Total Health Plan	3,528,354	4%
Connecticut General Life	3,891,980	4%
Unicare Life & Health	2,516,454	3%
United Health Care	1,826,022	2%
Fallon Community Health Plan	1,758,083	2%
Health New England	1,409,988	1%
All Others	15,903,252	17%
Subtotal	95,982,687**	
	4,017,313	
Total	\$100,000,000	100%

Notes: Surcharge percentage in effect: 1.85%

*In PFY03 the surcharge for Harvard Pilgrim Health Care includes \$7.6 million in retroactive surcharge payment.

**This figure does not total to \$100 million because the amount shown below is carry forward balance from overcollection in previous years.

payment. These funds, which are appropriated each year in the state budget, are paid by the Division of Medical Assistance to Boston Medical Center (\$51.8 million) and Cambridge Health Alliance (\$18.2 million)

at the beginning of the state fiscal year. Free care provided by these two hospitals is funded first from the supplemental payment and the remainder is charged to the Pool.

Section 4: Uses of Funds

Figure 1 below summarizes the distribution of funds for uncompensated care to hospitals for inpatient services, to hospitals for outpatient services, to community health centers, and to the Pool demonstration projects. It also shows the shift in payments for inpatient and outpatient care, as hospitals have shifted to providing more care in outpatient settings. Tables 3, 4, 5, and 6 provide additional

detail on payments made from the Uncompensated Care Pool.

Uncompensated Care Charges for PFY03

Hospitals report to the Pool on the distribution of uncompensated care among the allowable categories: full free care, partial free care, medical hardship, and emergency

continued on page 19...

Figure 1: Uncompensated Care Payments

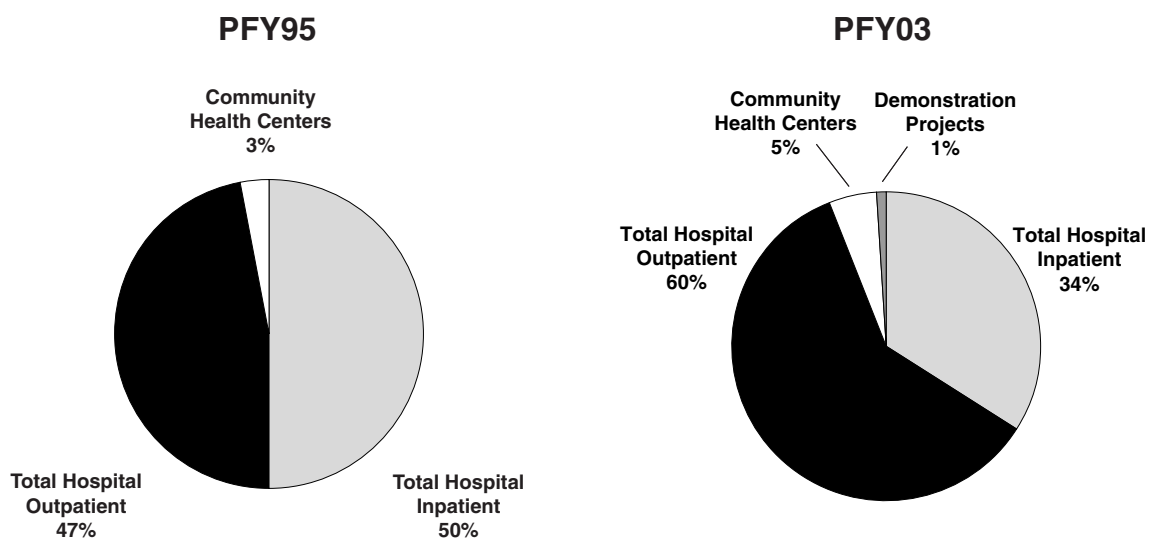


Table 3: Uncompensated Care Charges for PFY03

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Anna Jaques Hospital	\$ 219,954	\$ 1,203,822	\$ 1,423,776	\$ 964,060
Athol Memorial Hospital	34,511	180,235	214,746	323,393
Baystate Medical Center	1,185,997	11,780,356	12,966,353	3,172,560
Berkshire/Hillcrest	606,901	4,288,190	4,895,091	1,501,387
Beth Israel Deaconess Med Ctr	4,093,426	10,523,071	14,616,497	4,360,205
Boston Medical Center	7,863,254	60,662,587	68,525,841	23,179,031
Brigham & Women's Hospital	4,231,288	35,656,467	39,887,755	2,788,934
Brockton Hospital	1,118,106	5,725,188	6,843,294	4,819,123
Cambridge/Somerville Hospital	6,800,816	48,995,273	55,796,089	9,169,989
Cape Cod Hospital	1,707,830	2,677,050	4,384,880	3,054,951
Caritas Norwood	513,665	1,549,150	2,062,815	1,154,739
Carney Hospital	1,027,327	2,375,715	3,403,042	1,763,637
Children's Hospital	1,647,426	5,643,253	7,290,679	1,395,450
Clinton Hospital	50,599	1,060,850	1,111,449	318,269
Cooley Dickinson Hospital	65,609	1,126,801	1,192,410	406,161
Dana-Farber Cancer Institute	-	790,616	790,616	-
Deaconess Glover Hospital	105,939	196,337	302,276	103,306
Deaconess Nashoba	38,183	205,475	243,658	268,606
Deaconess Waltham	242,641	773,636	1,016,277	533,412
Emerson Hospital	377,972	1,528,327	1,906,299	237,618
Essent Health / Merrimac Valley	242,328	754,813	997,141	1,265,532
Fairview Hospital	38,135	246,175	284,310	200,554
Falmouth Hospital	128,972	654,291	783,263	340,578
Faulkner Hospital	873,403	2,230,948	3,104,351	1,363,624
Franklin Medical Center	413,452	1,755,164	2,168,616	664,650
Good Samaritan Medical Center	206,125	3,803,969	4,010,094	1,591,608
Hallmark Health	511,329	2,210,326	2,721,655	2,150,672
Harrington Memorial Hospital	50,937	658,752	709,689	337,111
Health Alliance	470,025	1,600,936	2,070,961	629,346
Henry Heywood Memorial Hosp.	242,598	1,160,583	1,403,181	1,509,659
Holy Family Hospital	1,140,819	2,805,608	3,946,427	1,644,352
Holyoke Hospital	65,331	1,503,722	1,569,053	948,973
Hubbard Regional Hospital	105,683	106,654	212,337	939,168
Jordan Hospital	446,394	1,236,236	1,682,630	1,588,040
Lahey Clinic Hospital, Inc.	1,649,172	2,181,160	3,830,332	2,046,296
Lawrence General Hospital	1,212,572	2,196,490	3,409,062	4,251,855
Lowell General Hospital	597,754	1,976,961	2,574,715	2,465,277
Marlborough Hospital	117,219	1,399,501	1,516,720	848,067
Mary Lane Hospital	31,396	166,755	198,151	337,300
Mass. Eye & Ear Infirmary	127,328	194,561	321,889	316,991

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
\$ 764,058	\$ 1,728,118	\$ 1,184,014	\$ 1,967,880	\$ 3,151,894
597,689	921,082	357,904	777,924	1,135,828
7,151,398	10,323,958	4,358,557	18,931,754	23,290,311
3,198,096	4,699,483	2,108,288	7,486,286	9,594,574
23,040,441	27,400,646	8,453,631	33,563,512	42,017,143
212,636,100	235,815,131	31,042,285	273,298,687	304,340,972
24,570,009	27,358,943	7,020,222	60,226,476	67,246,698
10,708,078	15,527,201	5,937,229	16,433,266	22,370,495
88,014,289	97,184,278	15,970,805	137,009,562	152,980,367
4,152,942	7,207,893	4,762,781	6,829,992	11,592,773
1,267,506	2,422,245	1,668,404	2,816,656	4,485,060
1,321,535	3,085,172	2,790,964	3,697,250	6,488,214
4,316,308	5,711,758	3,042,876	9,959,561	13,002,437
554,314	872,583	368,868	1,615,164	1,984,032
1,469,665	1,875,826	471,770	2,596,466	3,068,236
3,956,103	3,956,103	-	4,746,719	4,746,719
104,469	207,775	209,245	300,806	510,051
303,151	571,757	306,789	508,626	815,415
539,049	1,072,461	776,053	1,312,685	2,088,738
1,001,149	1,238,767	615,590	2,529,476	3,145,066
466,242	1,731,774	1,507,860	1,221,055	2,728,915
619,746	820,300	238,689	865,921	1,104,610
1,123,407	1,463,985	469,550	1,777,698	2,247,248
1,766,983	3,130,607	2,237,027	3,997,931	6,234,958
2,684,850	3,349,500	1,078,102	4,440,014	5,518,116
3,689,949	5,281,557	1,797,733	7,493,918	9,291,651
1,900,424	4,051,096	2,662,001	4,110,750	6,772,751
1,019,571	1,356,682	388,048	1,678,323	2,066,371
1,444,299	2,073,645	1,099,371	3,045,235	4,144,606
1,666,041	3,175,700	1,752,257	2,826,624	4,578,881
1,919,499	3,563,851	2,785,171	4,725,107	7,510,278
1,847,463	2,796,436	1,014,304	3,351,185	4,365,489
478,328	1,417,496	1,044,851	584,982	1,629,833
2,220,931	3,808,971	2,034,434	3,457,167	5,491,601
1,351,155	3,397,451	3,695,468	3,532,315	7,227,783
3,987,712	8,239,567	5,464,427	6,184,202	11,648,629
2,315,366	4,780,643	3,063,031	4,292,327	7,355,358
1,151,326	1,999,393	965,286	2,550,827	3,516,113
528,222	865,522	368,696	694,977	1,063,673
1,363,471	1,680,462	444,319	1,558,032	2,002,351

Table 3: Uncompensated Care Charges for PFY03

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Mass. General Hospital Corp.	\$ 6,063,915	\$ 45,784,665	\$ 51,848,580	\$ 5,483,883
Mercy Hospital	748,328	6,443,251	7,191,579	1,068,836
Metrowest Medical Center, Inc.	1,529,798	5,581,376	7,111,174	2,350,957
Milford-Whitinsville Hospital	143,837	1,334,421	1,478,258	1,919,165
Milton Hospital	85,014	299,048	384,062	433,398
Morton Hospital	290,129	1,489,879	1,780,008	1,369,934
Mount Auburn Hospital	538,441	3,261,990	3,800,431	749,565
Nantucket Cottage Hospital	27,725	108,027	135,752	582,036
New England Baptist Hospital	-	398,998	398,998	-
New England Medical Center	1,061,063	12,107,073	13,168,136	(37,480)
Newton-Wellesley Hospital	442,078	2,759,145	3,201,223	893,267
Noble Hospital	296,942	685,957	982,899	527,675
North Adams Regional Hosp.	1,470	620,675	622,145	514,734
Northeast Hospital Corporation	-	5,560,432	5,560,432	1,340,709
Quincy Hospital	599,114	1,677,231	2,276,345	1,762,193
Saint Vincent Hospital	891,248	5,800,287	6,691,535	2,578,640
Saints Memorial	345,630	1,737,659	2,083,289	1,200,117
Salem Hospital	675,220	3,963,588	4,638,808	2,756,996
South Shore Hospital, Inc.	1,132,165	1,482,270	2,614,435	4,246,292
Southcoast	993,186	8,169,466	9,162,652	4,097,004
St. Anne's Hospital	290,811	1,265,230	1,556,041	1,729,196
St. Elizabeth's Hospital	608,951	5,281,654	5,890,605	564,108
Sturdy Memorial Hospital	303,085	1,075,269	1,378,354	1,090,983
UMass Memorial	1,582,731	16,763,207	18,345,938	4,739,226
Union Hospital	410,897	2,101,742	2,512,639	2,159,067
Vencor-Boston	-	709,885	709,885	-
Vencor-North Shore	-	-	-	-
Winchester Hospital	-	367,776	367,776	1,476,249
Wing Memorial Hospital	106,333	551,465	657,798	213,339
Totals	59,770,527	363,167,670	422,938,197	130,764,573

Notes:

1. Free care data are based on uncompensated care claims data reported by the hospitals from October 2002 through September 2003 as of December 24, 2003.
2. Vencor-North Shore reported no free care charges for hospital FY03 (October 2002 through September 2003).
3. Deaconess Waltham did not submit reports for August 2003 and September 2003.
4. Bad debt is net of recoveries; therefore some facilities have negative bad debt.
5. All data are unaudited and subject to change with future updates and calculations.

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
\$ 57,074,229	\$ 62,558,112	\$ 11,547,798	\$ 102,858,894	\$ 114,406,692
2,166,008	3,234,844	1,817,164	8,609,259	10,426,423
7,380,507	9,731,464	3,880,755	12,961,883	16,842,638
1,756,896	3,676,061	2,063,002	3,091,317	5,154,319
289,313	722,711	518,412	588,361	1,106,773
2,251,771	3,621,705	1,660,063	3,741,650	5,401,713
2,588,447	3,338,012	1,288,006	5,850,437	7,138,443
728,555	1,310,591	609,761	836,582	1,446,343
389,666	389,666	-	788,664	788,664
14,908,435	14,870,955	1,023,583	27,015,508	28,039,091
1,095,706	1,988,973	1,335,345	3,854,851	5,190,196
641,975	1,169,650	824,617	1,327,932	2,152,549
1,318,615	1,833,349	516,204	1,939,290	2,455,494
2,502,577	3,843,286	1,340,709	8,063,009	9,403,718
1,500,345	3,262,538	2,361,307	3,177,576	5,538,883
2,651,584	5,230,224	3,469,888	8,451,871	11,921,759
2,288,723	3,488,840	1,545,747	4,026,382	5,572,129
6,658,014	9,415,010	3,432,216	10,621,602	14,053,818
1,489,243	5,735,535	5,378,457	2,971,513	8,349,970
8,283,177	12,380,181	5,090,190	16,452,643	21,542,833
1,920,375	3,649,571	2,020,007	3,185,605	5,205,612
2,402,951	2,967,059	1,173,059	7,684,605	8,857,664
1,277,875	2,368,858	1,394,068	2,353,144	3,747,212
13,073,786	17,813,012	6,321,957	29,836,993	36,158,950
2,158,249	4,317,316	2,569,964	4,259,991	6,829,955
-	-	-	709,885	709,885
-	-	-	-	-
1,056,516	2,532,765	1,476,249	1,424,292	2,900,541
854,556	1,067,895	319,672	1,406,021	1,725,693
563,919,428	694,684,001	190,535,100	927,087,098	1,117,622,198

Table 4: PFY03 Assessment and Payment Calculation

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care Charges D	Cost-to- Charge Ratio E
Anna Jaques Hospital	\$ 58,050,416	1.528%	\$ 886,995	\$ 3,128,541	44.73%
Athol Memorial Hospital	13,107,383	1.528%	200,277	981,607	48.43%
Baystate Medical Center	386,404,174	1.528%	5,904,157	18,722,220	50.23%
Berkshire / Hillcrest	105,809,758	1.528%	1,616,746	7,139,655	51.97%
Beth Israel Deaconess Med Ctr	650,497,669	1.528%	9,939,437	39,037,804	45.40%
Boston Medical Center	251,955,374	1.528%	3,849,813	280,406,997	63.75%
Brigham & Women's Hospital	1,002,582,681	1.528%	15,319,206	54,770,488	35.90%
Brockton Hospital	101,333,653	1.528%	1,548,352	18,012,252	53.48%
Cambridge / Somerville Hospital	93,567,892	1.528%	1,429,693	147,345,139	72.50%
Cape Cod Hospital	133,769,954	1.528%	2,043,971	10,140,136	65.15%
Caritas Norwood	113,666,777	1.528%	1,736,799	3,972,391	45.89%
Carney Hospital	42,985,806	1.528%	656,812	6,329,896	56.17%
Children's Hospital	632,025,283	1.528%	9,657,184	12,488,975	49.89%
Clinton Hospital	12,048,603	1.528%	184,100	1,795,810	45.16%
Cooley Dickinson Hospital	70,090,919	1.528%	1,070,971	2,467,066	55.24%
Dana-Farber Cancer Institute	218,289,542	1.528%	3,335,408	3,838,570	51.34%
Deaconess Glover Hospital	26,006,381	1.528%	397,371	404,485	39.61%
Deaconess Nashoba	22,930,201	1.528%	350,368	618,694	56.52%
Deaconess Waltham	52,650,324	1.528%	804,483	2,587,843	51.57%
Emerson Hospital	182,398,755	1.528%	2,787,006	2,967,727	33.79%
Essent Health / Merrimac Valley	35,072,479	1.528%	535,898	2,266,900	58.76%
Fairview Hospital	14,111,676	1.528%	215,623	1,042,149	49.41%
Falmouth Hospital	61,431,249	1.528%	938,654	2,436,280	53.38%
Faulkner Hospital	143,974,394	1.528%	2,199,892	5,135,654	37.24%
Franklin Medical Center	50,105,014	1.528%	765,592	4,544,867	46.57%
Good Samaritan Medical Center	86,432,003	1.528%	1,320,659	7,177,271	49.25%
Hallmark Health	182,127,372	1.528%	2,782,859	5,725,568	49.15%
Harrington Memorial Hospital	36,948,357	1.528%	564,561	1,925,666	61.56%
Health Alliance	95,164,106	1.528%	1,454,083	3,875,125	51.62%
Henry Heywood Memorial Hosp.	60,145,148	1.528%	919,002	4,088,908	39.12%
Holy Family Hospital	109,211,092	1.528%	1,668,717	6,378,706	42.11%
Holyoke Hospital	45,415,138	1.528%	693,932	3,388,962	49.68%
Hubbard Regional Hospital	19,277,099	1.528%	294,549	1,351,920	44.13%
Jordan Hospital	130,385,663	1.528%	1,992,259	4,974,153	43.69%
Lahey Clinic Hospital, Inc.	338,122,201	1.528%	5,166,420	7,609,341	48.37%
Lawrence General Hospital	78,193,117	1.528%	1,194,771	9,977,041	49.51%
Lowell General Hospital	129,330,804	1.528%	1,976,141	5,372,268	45.08%
Marlborough Hospital	44,665,668	1.528%	682,480	3,056,330	37.84%
Mary Lane Hospital	19,274,118	1.528%	294,504	1,180,986	44.76%
Mass. Eye & Ear Infirmary	99,946,541	1.528%	1,527,157	1,824,277	66.10%

Uncompensated Care Pool PFY03 Annual Report

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allowable Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
\$ 1,399,396	-	\$ 1,399,396	\$ 926,692	\$ 472,704	\$ (414,291)
475,392	-	475,392	193,509	281,884	81,606
9,404,171	-	9,404,171	6,460,606	2,943,565	(2,960,591)
3,710,479	-	3,710,479	2,347,030	1,363,449	(253,297)
17,723,163	-	17,723,163	9,112,416	8,610,747	(1,328,690)
178,759,461	51,800,000	126,959,461	9,667,818	117,291,643	113,441,829
19,662,605	-	19,662,605	11,374,253	8,288,353	(7,030,853)
9,632,952	-	9,632,952	1,979,279	7,653,673	6,105,321
106,825,226	18,200,000	88,625,226	3,909,552	84,715,674	83,285,980
6,606,299	-	6,606,299	2,929,648	3,676,650	1,632,680
1,822,930	-	1,822,930	1,658,492	164,438	(1,572,361)
3,555,503	-	3,555,503	1,308,092	2,247,411	1,590,599
6,230,750	-	6,230,750	5,413,498	817,252	(8,839,932)
810,988	-	810,988	200,433	610,555	426,455
1,362,807	-	1,362,807	979,866	382,942	(688,030)
1,970,722	-	1,970,722	1,879,686	91,036	(3,244,372)
160,217	-	160,217	160,217	-	(397,371)
349,686	-	349,686	349,686	-	(350,368)
1,334,551	-	1,334,551	1,205,787	128,764	(675,719)
1,002,795	-	1,002,795	1,002,795	-	(2,787,006)
1,332,030	-	1,332,030	993,248	338,782	(197,116)
514,926	-	514,926	291,843	223,083	7,460
1,300,486	-	1,300,486	1,113,987	186,499	(752,154)
1,912,518	-	1,912,518	1,165,530	746,988	(1,452,904)
2,116,545	-	2,116,545	892,699	1,223,846	458,254
3,534,806	-	3,534,806	1,352,556	2,182,250	861,591
2,814,117	-	2,814,117	2,814,117	-	(2,782,859)
1,185,440	-	1,185,440	651,920	533,520	(31,042)
2,000,340	-	2,000,340	1,280,377	719,962	(734,121)
1,599,581	-	1,599,581	734,752	864,829	(54,173)
2,686,073	-	2,686,073	1,467,846	1,218,228	(450,490)
1,683,636	-	1,683,636	1,050,104	633,532	(60,400)
596,602	-	596,602	294,943	301,660	7,110
2,173,207	-	2,173,207	1,296,310	876,897	(1,115,362)
3,680,638	-	3,680,638	3,680,638	-	(5,166,420)
4,939,633	-	4,939,633	1,502,165	3,437,468	2,242,698
2,421,818	-	2,421,818	1,537,166	884,652	(1,091,489)
1,156,515	-	1,156,515	496,756	659,759	(22,721)
528,609	-	528,609	292,199	236,410	(58,093)
1,205,847	-	1,205,847	1,205,847	-	(1,527,157)

Table 4: PFY03 Assessment and Payment Calculation

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care Charges D	Cost-to-Charge Ratio E
Mass. General Hospital Corp.	\$ 1,180,183,183	1.528%	\$ 18,032,896	\$ 93,177,196	33.66%
Mercy Hospital	90,110,928	1.528%	1,376,872	8,374,944	42.75%
Metrowest Medical Center, Inc.	260,110,179	1.528%	3,974,417	14,495,047	30.25%
Milford-Whitinsville Hospital	133,358,212	1.528%	2,037,679	4,478,994	38.81%
Milton Hospital	32,443,533	1.528%	495,729	1,014,030	54.14%
Morton Hospital	84,741,939	1.528%	1,294,835	4,410,028	46.78%
Mount Auburn Hospital	159,896,318	1.528%	2,443,175	6,612,730	45.41%
Nantucket Cottage Hospital	11,999,229	1.528%	183,345	1,246,665	77.83%
New England Baptist Hospital	128,395,594	1.528%	1,961,852	774,544	47.66%
New England Medical Center	480,874,702	1.528%	7,347,642	22,901,109	43.17%
Newton-Wellesley Hospital	267,623,068	1.528%	4,089,212	4,623,520	40.05%
Noble Hospital	35,874,613	1.528%	548,155	1,742,104	44.18%
North Adams Regional Hosp.	38,671,344	1.528%	590,888	2,633,792	59.41%
Northeast Hospital Corporation	151,475,416	1.528%	2,314,505	8,787,246	47.87%
Quincy Hospital	58,022,868	1.528%	886,575	5,019,473	48.28%
Saint Vincent Hospital	177,855,696	1.528%	2,717,589	10,903,336	41.37%
Saints Memorial	83,414,958	1.528%	1,274,559	5,153,031	44.13%
Salem Hospital	156,269,112	1.528%	2,387,752	12,391,462	61.23%
South Shore Hospital, Inc.	240,825,922	1.528%	3,679,758	5,629,852	57.48%
Southcoast	260,714,054	1.528%	3,983,644	18,271,913	53.21%
St. Anne's Hospital	70,150,380	1.528%	1,071,880	4,526,663	40.90%
St. Elizabeth's Hospital	131,196,814	1.528%	2,004,654	7,055,217	42.24%
Sturdy Memorial Hospital	79,012,235	1.528%	1,207,287	3,120,130	54.74%
UMass Memorial	560,970,402	1.528%	8,571,484	31,651,654	49.45%
Union Hospital	65,870,245	1.528%	1,006,480	6,235,382	45.11%
Vencor-Boston	11,721,742	1.528%	179,105	1,437,090	48.28%
Vencor-North Shore	3,631,698	1.528%	55,491	-	48.28%
Winchester Hospital	197,230,376	1.528%	3,013,629	2,897,039	44.48%
Wing Memorial Hospital	23,691,977	1.528%	362,007	1,989,911	70.47%
Totals	11,125,841,521	1.528%	170,000,000	992,042,771	

Notes:

1. Private sector charge and free care data are based on uncompensated care claims data reported by the hospitals from June 2002 through May 2003 as of the September PFY03 calculation.
2. Cost to charge ratios are from the September PFY03 calculation.
3. All data are unaudited and subject to change with future updates and calculations.
4. Free Care charges in Table 4 differ from Free Care charges in Table 3. Table 4 Free Care charges represent an estimated actual payment to hospitals made during PFY03; these payments will be updated upon final settlement. Table 3 Free Care charges are based upon the most current actual data available.

Uncompensated Care Pool PFY03 Annual Report

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allowable Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
\$ 31,363,444	-	\$ 31,363,444	\$ 13,738,245	\$ 17,625,199	\$ (407,697)
3,580,289	-	3,580,289	2,045,518	1,534,771	157,899
4,384,752	-	4,384,752	2,397,523	1,987,229	(1,987,188)
1,738,298	-	1,738,298	1,207,212	531,086	(1,506,593)
548,996	-	548,996	548,996	-	(495,729)
2,063,011	-	2,063,011	1,268,613	794,398	(500,437)
3,002,841	-	3,002,841	2,121,840	881,001	(1,562,174)
970,279	-	970,279	221,059	749,220	565,875
369,148	-	369,148	369,148	-	(1,961,852)
9,886,409	-	9,886,409	5,569,599	4,316,809	(3,030,833)
1,851,720	-	1,851,720	1,851,720	-	(4,089,212)
769,662	-	769,662	532,906	236,756	(311,399)
1,564,736	-	1,564,736	604,546	960,189	369,301
4,206,455	-	4,206,455	2,235,626	1,970,828	(343,677)
2,423,402	-	2,423,402	1,147,085	1,276,316	389,742
4,510,710	-	4,510,710	2,835,613	1,675,097	(1,042,492)
2,274,033	-	2,274,033	1,321,063	952,969	(321,590)
7,587,292	-	7,587,292	2,766,446	4,820,846	2,433,095
3,236,039	-	3,236,039	2,876,626	359,413	(3,320,345)
9,722,485	-	9,722,485	5,311,815	4,410,670	427,026
1,851,405	-	1,851,405	1,187,233	664,173	(407,707)
2,980,124	-	2,980,124	2,980,124	-	(2,004,654)
1,707,959	-	1,707,959	1,174,960	532,999	(674,287)
15,651,743	-	15,651,743	9,893,443	5,758,300	(2,813,184)
2,812,781	-	2,812,781	1,061,288	1,751,493	745,012
693,827	-	693,827	348,957	344,870	165,765
-	-	-	-	-	(55,491)
1,288,603	-	1,288,603	1,288,603	-	(3,013,629)
1,402,290	-	1,402,290	546,027	856,263	494,256
536,626,189	70,000,000	466,626,189	156,626,189	310,000,000	140,000,000

Table 5: Community Health Center Payments for Uncompensated Care, PFY02 and PFY03

Community Health Center	PFY03*	PFY02	Difference	% Change
Boston Health Care for the Homeless Program	\$ 725,160	\$ 465,444	\$ 259,716	55.8%
Brockton Neighborhood Health Center	1,798,286	1,370,866	427,420	31.2%
Children's Health Program	129,469	36,820	92,649	251.6%
Community Health Connections	381,008	258,418	122,590	47.4%
Community Health Center of Franklin County	480,412	101,786	378,626	372.0%
Dimock Community Health Center	287,870	295,425	-7,555	-2.6%
Family Health and Social Service Center	1,217,025	731,241	485,784	66.4%
Fenway Community Health Center	132,327	177,441	-45,114	-25.4%
Geiger-Gibson Community Health Center	476,624	412,818	63,806	15.5%
Great Brook Valley Health Center	5,977,477	4,386,050	1,591,427	36.3%
Greater Lawrence Family Health Center	2,245,794	1,878,764	367,030	19.5%
Greater New Bedford Community Health Center	1,380,164	1,133,664	246,500	21.7%
Harvard Street Neighborhood Health Center	527,050	522,571	4,479	0.9%
Health First Family Care Center	454,219	521,041	-66,822	-12.8%
Hilltown Community Health Center	244,081	221,497	22,584	10.2%
Holyoke Health Center, Inc.	608,266	437,983	170,283	38.9%
Joseph M. Smith Community Health Center	1,387,219	905,212	482,007	53.2%
Justice Resource Institute	73,373	60,896	12,477	20.5%
Lowell Community Health Center	609,142	590,868	18,274	3.1%
Lynn Community Health Center	2,446,257	1,617,023	829,234	51.3%
Manet Community Health Center	643,974	549,258	94,716	17.2%
Mattapan Community Health Center	848,999	839,830	9,169	1.1%
Mid-Upper Cape Community Health Center	67,162	0	67,162	100.0%
Neponset Health Center	560,244	478,833	81,411	17.0%
North End Community Health Center	176,160	154,596	21,564	13.9%
North Shore Community Health Center	325,513	421,499	-95,986	-22.8%
O'Neil Health Clinic, Inc.	146,230	51,107	95,123	186.1%
Outer Cape Health Services, Inc.	307,557	303,315	4,242	1.4%
Roxbury Comprehensive Community Health Center	724,587	674,695	49,892	7.4%
South Cove Community Health Center	1,109,627	1,043,931	65,696	6.3%
South End Community Health Center	409,015	336,991	72,024	21.4%
Springfield Southwest Community Health Center	380,902	219,717	161,185	73.4%
Stanley Street Treatment and Resources	281,942	172,096	109,846	63.8%
Upham's Corner Health Center	487,421	487,068	353	0.1%
Whittier Street Neighborhood Health Center	736,609	610,312	126,297	20.7%
TOTAL	28,787,165	22,469,076	6,318,089	28.1%

*Based on actual data of 12 months (October 2002-September 2003)

bad debt. These data are reported for both inpatient and outpatient uncompensated care services. Partial free care and medical hardship together make up approximately 1.7% of the Pool, and are included in Table 3 (on pages 10-13) under "Free Care."

PFY03 Uncompensated Care Pool Hospital Surcharge and Payment Calculation

As shown in Table 4 (on pages 14-17), each hospital's annual gross liability to the Pool (column C) is based on its private sector charges (column A), which it reports to the Division. Because each hospital's liability is based on its private sector charges, hospitals that treat more private patients make larger payments to the Pool. Each month, the Division calculates a uniform percentage sufficient to generate \$170 million in annual Pool funding. This percentage is currently 1.528% (column B).

Each hospital is paid for its uncompensated care based on its reasonable costs and the availability of funding. Hospitals report their free care charges to the Division (column D). The Division adjusts the free care charges using the ratio of each hospital's reasonable costs to charges (column E), calculated by the Division based on each hospital's mark-up of charges over costs and its efficiency relative to other hospitals. The result of this adjustment is the hospital's allowable free care costs (column F).

Hospitals that receive payments for free care through an intergovernmental funds transfer (IGT) (column G) use those

funds before accessing the Pool to cover any remaining free care costs (column H). When there is a shortfall (when there is insufficient funding in the Pool to pay providers for the uncompensated care they provide), the shortfall is allocated so that hospitals with a greater proportional requirement for Pool funds receive a greater proportional share of Pool payments (column I). The shortfall allocation is applied to the provider's allowable free care costs to calculate the hospital's annual gross liability from the Pool (column J).

Finally, for informational purposes, Table 4 includes each hospital's net annual liability to or from the Pool, calculated by subtracting the hospital's gross liability to the Pool from its gross liability from the Pool (column K). However, hospitals make and receive payments based on the gross amounts.

Community Health Center (CHC) Payments for Uncompensated Care, PFY03

The number of freestanding CHCs participating continues to grow each year. As of PFY03 the Division reimbursed 35 participants a total of \$28.8 million dollars. This is a 28% increase in reimbursement to CHCs over PFY02, which is comparable to the rate of increase from the previous year to PFY01. Not included in the PFY03 totals are grant amounts totaling approximately \$3.2 million provided to CHCs that directly offset certain Pool costs. This represents an additional 14% increase over PFY02.

Section 5:

Demonstration Projects

If applicants are not eligible for a state program, they are referred to local physicians who have agreed to treat patients at a reduced or no charge. In the state FY03 budget the legislature extended these projects through FY07.

The Massachusetts Fishermen's Partnership, Inc.

In July 1997, the Massachusetts legislature enacted legislation (M.G.L. c.118G s.18) authorizing the Division to allocate up to \$10 million of Pool funds per fiscal year for demonstration projects designed to demonstrate alternative approaches to improve health care and reduce costs for the uninsured and underinsured. Each demonstration project was required to demonstrate the potential to save the Pool at least \$1 for every dollar it received in funding. Chapter 47 also designated specific funds for three programs: the Ecu-Health Care project, the Hampshire Health Access project, and the Massachusetts Fishermen's Partnership, Inc. These three projects continued to receive Pool funding through FY03 including an additional \$1 million to the FPHP to bring its total annual Pool funding to \$3 million.

Ecu-Health Care, Inc. and Hampshire Health Access

The Division provides \$40,000 in Pool funds annually to each of the Ecu-Health Care projects in North Adams and to the Hampshire Health Access project in Northampton. These programs help link local residents to affordable and accessible health care by assessing their eligibility for state programs such as MassHealth and the Children's Medical Security Plan (CMSP).

The Fishing Partnership Health Plan (FPHP) offers fishermen and their families the opportunity to purchase health insurance at a reduced rate, made possible through subsidized premiums provided by the Pool. The FPHP is a freestanding trust fund that operates separately from the two primary sponsoring organizations: Caritas Christi Health Care System and the Massachusetts Fishermen's Partnership, Inc. It is funded by the U.S. Department of Commerce and the Pool provided \$2 million a year for FY98 through FY02 and bears all financial risk for the program. In FY02 the state legislature allocated increased funding from \$2 million to \$3 million a year effective FY03 through FY07.

The FPHP contracts with Tufts Health Plan and offers fishermen and their families a comprehensive benefit package that includes access to Tufts's network of providers, mental health services, and pharmacy coverage. All fishermen, regardless of health status or current insurance coverage, may enroll in the plan. FPHP offers four tiers of membership depending on the income of the fishermen. Tier 1 members, who constitute approximately 40% of the members, receive the most subsidies equal to approximately 40% of the premium. As of September 2003, almost 43% of subscribers were in tier 1. Tier 4 members, constituting just over

Table 6: PFY03 Pool Payments to Demonstration Projects

	PFY97-02	PFY03	Total PFY97-03
Legislative Contracts			
Ecu-Health Care, Inc.	\$240,000	\$40,000	\$280,000
Hampshire Health Access	\$240,000	\$40,000	\$280,000
Fishing Partnership Health Plan	\$12,000,000	\$3,000,000	\$15,000,000
		Subtotal:	\$15,560,000
Other Demonstration Grants from the Pool			
Congestive Heart Failure Demonstrations			
Boston Medical Center	\$803,726		\$803,726
Baystate Medical Center	\$659,700		\$659,700
Brigham and Women's Hospital	\$306,883		\$306,883
Cambridge Health Alliance	\$814,482		\$814,482
		Subtotal:	\$2,584,791
Community Demonstrations			
Boston Public Health Commission	\$907,569		\$907,569
Boston Health Care for the Homeless Program	\$823,511		\$823,511
South Cove CHC	\$287,492		\$287,492
Lynn CHC	\$1,036,705		\$1,036,705
Great Brook Valley Health Center	\$1,096,230		\$1,096,230
Family Health Center of Worcester	\$566,415		\$566,415
Cape Cod Free Clinic	\$507,718		\$507,718
		Subtotal:	\$5,225,640
Mental Health/Substance Abuse			
BHN	\$842,271		\$842,271
		Total:	\$24,212,702

23% of the members, receive no premium subsidy.

Over 1,600 fishermen and their family members are currently enrolled. The FPHP did not meet cost-neutrality in either of two methodologies used by the Division to evaluate the program in 2002. An updated analysis finds that the FPHP is unlikely to become cost-neutral.

Demonstrations for Improving Care and Reducing Costs for Uninsured Individuals

In the Fall of 1999, the Division began funding seven programs developed to achieve at least one of three related goals:

reduce preventable hospitalizations by providing primary care for patients with ambulatory care sensitive conditions; improve coordination of care for patients with multiple or chronic conditions; and provide services in a more efficient or appropriate manner. The programs employed strategies and protocols tailored to the unique characteristics of the uninsured. Program activities included efforts to modify patients' behaviors so they could better manage their diseases, provision of pharmaceuticals, and coordination of care among health care providers. The contracts ended on September 30, 2002.

Section 6: PFY03 Pool Status

The Uncompensated Care Trust Fund total sources of funds and uses of funds vary somewhat year to year. Demand for services charged to the Pool is also variable. Service demand is difficult to predict due to a number of factors.

First, the Pool is the payer of last resort. The Pool pays for medically necessary services provided by an acute hospital or community health center to a qualifying low-income uninsured or underinsured person that is not covered by another payer. Therefore, if there are any changes in enroll-

ment or services covered by any other public or private payer, the changes will affect the demand for services charged to the Pool.

Second, because most private insurance is accessed through employment, changes in employment levels, types of employees hired (full-time versus contracted or part-time), and/or the level of benefits offered may affect the demand for services charged to the Pool.

Third, through PFY03 the Pool is required by statute to pay providers on a fee-for-service basis. If the amount a provider bills to the Pool increases in a particular month, the Pool must reimburse the hospital for the increased amount. A provider may bill higher amounts for many reasons: expanded services, increased volume, charge level changes or for other reasons. Until year-end Pool claims and cost reports are submitted, reviewed subject to audit, and all issues are identified and resolved, actual Pool allowable free care costs cannot be finalized.

Table 7: Uncompensated Care: Sources and Uses of Funds
(in \$ millions)

Uncompensated Care Trust Fund (UCTF)	PFY00*	PFY01*	PFY02**	PFY03**
Sources of Funds				
Hospital Assessment	215.0	215.0	170.0	170.0
Surcharge Payers	100.0	100.0	100.0	100.0
General Fund Contribution	30.0	30.0	30.0	45.0
Other Funding Sources				
Prior Fiscal Year(s) Balance	9.0			
Medical Security Trust Fund Transfer	15.0	25.0	90.0	
Tobacco Settlement Fund Transfer			12.0	30.0
Enhanced FMAP Revenues Transfer				
General Fund Transfer				
Ch. 495 S. 56 Compliance Liability Funds	15.0	1.1		
Sec. 620 Grants to CHCs				
Subtotal Other Funding Sources	30.0	26.1	102.0	
Total Sources	384.0	371.1	402.0	345.0
Uses of Funds				
UCTF Pool Uses of Funds				
Hospitals	(320.1)	(306.3)	(338.4)	(314.7)
Audit Adjustments	3.9	4.0	4.1	4.7
Hospital Net after Audit Adjustments	(316.2)	(302.3)	(334.3)	(310.0)
Community Health Centers	(15.7)	(17.7)	(22.5)	(28.7)
Demonstration Projects	(4.2)	(5.1)	(4.7)	(3.1)
Administration/Data Collection	(1.6)	(1.7)	(1.4)	(1.0)
Reserves		(5.4)	(3.4)	(2.2)
Other UCTF Uses of Funds				
Children's and Seniors' Fund Transfer	(46.3)	(44.3)	(33.7)	
Total Uses	(384.0)	(371.1)	(402.0)	(345.0)
Uncompensated Care Pool: Financial Summary				
Hospitals				
Hospital Payments	316.2	302.3	334.3	310.0
Net Allowable Free Care Costs***	(326.8)	(340.6)	(372.8)	(525.8)
Hospital Shortfall	(10.6)	(38.3)	(38.5)	(217.0)
Community Health Centers				
Community Health Center Payments	15.7	17.7	22.5	28.7
Net Allowable Free Care Costs	(15.7)	(17.7)	(22.5)	(28.7)
CHC Shortfall	0.0	0.0	0.0	0.0
Free Care Surplus/(Shortfall)	(10.6)	(38.3)	(38.5)	(217.0)

* PFY00 and PFY01 data are as of Preliminary Settlements and subject to change.

** This is a projection. The final shortfall/surplus estimate can be higher or lower depending on assumptions.

*** For FY00-FY03 Other Supplemental Payments totaled \$70M annually.

Section 7:

Pool Settlements

The Uncompensated Care Pool makes monthly payments to hospitals and hospitals make monthly payments to the Pool on an estimated basis. Prior to PFY04 the Division of Health Care Finance and Policy calculated the payment amounts based on a rolling average of each hospital's most recently reported 12 months of free care and private sector charges, adjusted for industry trends.

As required by M.G.L. c.118G, §18(h), the Division calculates the final payment amounts to and from the Pool after all hospitals' final audited Pool year data are available. The final payments made based on this final calculation are referred to as the final settlement of the Pool fiscal year. At final settlement, a hospital pays the Pool or the Pool pays the hospital the difference between amounts that were paid previously and the actual amount that should have been paid, based on final data. Factors that would cause the final payment to differ from the initial estimated payment include: a change in the amount of free care provided by the particular hospital or by all hospitals statewide, a change in the hospital's mark-up of charges over costs, a change in the hospital's overall payer mix, audit adjustments, and a change in the total funding available for uncompensated care statewide.

Final settlements cannot be completed until final audited free care charges, private sector charges, total charges, and total patient care costs are available for all hospitals. It often takes several years to resolve all outstanding audit issues for all hospitals, and as a result final settlements are often delayed.

The Division conducts preliminary settlements in order to ensure that as much funding as possible is available for pool payments. The Division conducts a preliminary settlement as soon as 12 full months of free care charges and private sector charges are available for the Pool fiscal year, as well as an updated cost to charge ratio. Conducting preliminary settlements helps prevent the need to transfer large unexpected dollar amounts upon final settlement.

Table 8 (on pages 26-27) illustrates the history and status of Pool settlements for the Division. The table identifies all Pool funding sources for each year as well as Pool expenses for that year, including transfers to the Children's and Seniors' Health Care Assistance Fund, payments to CHCs, and the resulting balance available to pay hospitals. Payments for the Division's demonstration programs are included in Reserves and Expenses, along with other expenses related to administering the Pool. The shortfall amount is the amount by which allowable uncompensated care costs incurred by hospitals exceed the available Pool funds. Health care reform initiatives and the strong economy are responsible for the elimination of the shortfall for PFY98 and PFY99. PFY00, however, has demonstrated a shortfall in preliminary settlement. Projections for PFY01, PFY02 and PFY03 indicate a continued shortfall. The percent recognized

continued on page 27...

Table 8: Uncompensated Care Pool Settlements

Pool Fiscal Year	Settlement Status	Hospital Assessment Funding	Surcharge Funding	State Funding	Release of S. 56 Funds	Other Supplemental Funds	Children's & Seniors' Fund
**2003 Sep '03 Calculation*		170,000,000	100,000,000	45,000,000	-	30,000,000	e. -
**2002 Sep '02 Calculation*		170,000,000	100,000,000	30,000,000	-	102,000,000	d. 33,750,000
**2001 Jul 2001 Interim*		215,000,000	100,000,000	30,000,000	1,100,000	25,000,000	c. 44,250,000
**2000 Jan 2001 Interim*		215,000,000	100,000,000	30,000,000	15,000,000	24,000,000	b. 46,250,000
**1999 Jan 2000 Interim*		215,000,000	100,000,000	30,000,000			11,750,000
1998	FINAL	215,000,000	100,000,000	30,000,000	4,000,000	(9,000,000)	a.
1997	FINAL	315,000,000		15,000,000	12,500,000		
1996	FINAL	315,000,000		15,000,000			
1995	FINAL	315,000,000		15,000,000			
1994	FINAL	315,000,000		15,000,000			
1993	FINAL	315,000,000		15,000,000			
1992	FINAL	300,000,000		35,000,000			
1991	FINAL	312,000,000		-			
1990	FINAL	312,000,000		-			

Note: All amounts are in dollars (\$).

* Amounts subject to change at Final and/or Interim Settlement.

** Reserves and Expenses includes funds set aside for Special Programs (e.g. Demonstration Projects).

a. Portion of PFY Surplus transferred to PFY00 (\$9,000,000).

b. For PFY00—in addition to Section 56 funds, also included was \$9,000,000 from PFY98 surplus (see reduction to PFY98 in this column) and \$15,000,000 in FY01 state budgeted relief.

c. For PFY01—in addition to Sect 56 funds, also included was \$10,000,000 in FY01 state budgeted relief and \$15,000,000 in FY02 state budgeted relief.

d. For PFY02—the FY02 state budget provided \$45,000,000 to offset reduction in hospital assessment and an additional \$45,000,000 in free care cost funding. The FY03 state budget provided an additional \$12,000,000 for free care funding (shortfall relief).

e. For PFY03—the FY03 state budget provided \$30,000,000 in shortfall relief from the Tobacco Fund.

Reserves and Expenses***	Community Health Center Payments	Balance Payable to Hospitals	Allowable UC Costs	Surplus/ (Shortfall)	Percent Recognized	Hospital Uniform Assessment
6,270,277	28,729,723	310,000,000	466,626,189	(156,626,189)	71%	1.53%
11,530,924	22,469,076	334,250,000	372,880,175	(38,630,175)	91%	1.74%
6,801,885	17,747,789	302,300,326	340,551,566	(38,251,240)	91%	2.37%
5,885,959	15,735,998	316,128,043	326,848,612	(10,720,569)	97%	2.68%
2,958,178	14,491,604	315,800,218	311,874,175	3,926,043	100%	3.07%
2,543,188	16,026,457	321,430,355	316,596,504	4,833,851	100%	3.52%
-	16,031,038	326,468,962	430,959,137	(104,490,175)	77%	5.74%
1,284,269	15,168,235	313,547,496	467,290,626	(153,743,130)	67%	6.00%
4,065,970	12,996,321	312,937,709	446,123,716	(133,186,007)	70%	6.54%
5,752,348	10,174,420	314,073,232	422,996,582	(108,923,350)	74%	6.89%
741,639	7,660,677	321,597,684	391,636,164	(70,038,480)	82%	6.93%
3,347,273	4,377,067	327,275,660	340,323,322	(13,047,662)	96%	8.51%
1,221,000		310,779,000	442,492,755	(131,713,755)	70%	9.86%
630,152		311,369,848	411,641,176	(100,271,328)	76%	10.18%

is the percent of hospitals' allowable free care costs that were paid by the Pool that year. The last column indicates the steadily decreasing percentage of the uniform assess-

ment on hospitals' private sector charges, which generates each hospital's liability to the Pool (for additional information, please see the explanation of Table 4 on page 19).

Section 8: Pool Management and Data Collection

The Division has undertaken a number of initiatives to improve the efficiency and effectiveness of Pool operations. This section provides an update on these initiatives.

Eligibility

Since October 1998, providers have used a standard application form for determining free care and medical hardship eligibility. All applicants for free care are asked a set of questions that indicate possible eligibility for other assistance programs, such as MassHealth, and providers are required to assist applicants in applying for these programs. The free care application forms are available in English, Spanish, Portuguese, Haitian Creole, Chinese, Vietnamese, and Khmer, and are located on the Division's web site for easy download.

The free care help line continues to receive about seventy-five calls per week, of which about two-thirds are from provider staff and about one-third from individuals applying for free care.

In May 2004, the Division published the third edition of *Access to Health Care in Massachusetts: A Catalog of Health Care Programs for Uninsured and Underinsured Individuals*. This latest edition of the catalog contains information on more than 85

programs sponsored by public and private organizations. This catalog is intended to be a tool that hospital and community health center staff use in their screening efforts to direct patients to other more organized and comprehensive sources of coverage than free care. Copies of the catalog are distributed to all hospitals and community health centers, as well as many other interested organizations. To order copies of the third edition contact the Division's Office of Communications at (617) 988-3125, or e-mail requests to shelley.fortier@state.ma.us.

Data Collection

The Division collects patient level data on individuals whose health care is billed to the Pool. Access to patient level data helps the Division conduct regular analyses, verify eligibility, monitor utilization, target audit efforts and inform policy-making decisions. Hospitals and community health centers are required to submit free care application and medical claims data to the Division according to Division specifications that are defined in regulation.

The Division developed free care application software to collect eligibility and demographic information on applicants to the Pool. All hospitals and community health centers use this software to verify eligibility and to submit eligibility information electronically to the Division. In PFY03, the Division received applications from 294,543 individuals.

The eligibility data is useful for understanding the demographic characteristics of people applying for free care (see Table 9 on page 30), and for cross-referencing eligibility in other public assistance programs. In addition, income information supplied on

the free care application is matched against the wage database maintained by the Department of Revenue in order to verify an individual's reported earned income.

The average family income for free care applicants was approximately \$10,200 per year, down slightly from earlier years (in PFY02, it was \$10,600). The average family size remained steady at two.

As in previous years, fifty-five percent of free care applicants were female, and 45% were male. Fourteen percent of applicants were ages 18 or under, 54% were ages 19 to 44, 24% were ages 45 to 64, and 8% were ages 65 and over. Seventy-nine percent of free care applications included social security numbers.

Ninety-two percent of free care applicants reported an annual family income

falling at or below 200% of the federal poverty limit and were therefore eligible for full free care. Eight percent reported an income between 201% and 400% of the federal poverty limit, qualifying for partial free care. Only thirteen medical hardship applications were received during PFY03. Less than 1% of total applicants were determined to be ineligible for free care.

All hospitals and community health centers are also required to submit claims data to the Division for care billed to the Uncompensated Care Pool. The Division began to apply financial penalties during PFY03 for non-compliance with these requirements. The claims database now includes approximately 90% of the monthly billings submitted by the facilities. In addition, claims are matched against the cor-

Table 9: Free Care Applications Submitted 10-1-02 to 9-30-03

	Hospitals	CHCs	Total
Total Applications	264,241	99,241	363,482
Total Applicants*	220,232	74,311	294,543
Gender			
Female	54%	56%	55%
Male	46%	44%	45%
Age			
18 and under	13%	16%	14%
19 - 24	15%	15%	15%
25 - 44	39%	40%	39%
45 - 64	24%	23%	24%
65 +	9%	5%	8%
Family Income			
<= 200% FPL	91%	93%	92%
201- 400% FPL	8%	7%	8%
>400% FPL	0%	0%	0%

*Some individuals submit more than one application so the number of applications is greater than the number of applicants. If an individual submitted more than one application, he/she is considered to have applied at the most recent facility (CHC or hospital) where he/she submitted an application.

Table 10: Free Care Claims Billed to the Pool 10-1-02 to 9-30-03

Total Claim Count	1,842,500		
PFY03 User Count	405,623		
		Claims	Percent of Total Claims
Type of Claim			
Regular Free Care Claim		1,387,379	75%
Emergency bad debt claim		210,962	12%
CHC Claim		244,159	13%
<i>Total Claim Count</i>		<i>1,842,500</i>	<i>100%</i>
Primary Payer			
Pool Only		1,637,724	89%
MassHealth		55,382	3%
Medicare		63,316	3%
Other Payers		86,078	5%
<i>Total Claim Count</i>		<i>1,842,500</i>	<i>100%</i>
Service Type			
Outpatient		1,559,891	85%
Inpatient		38,450	2%
CHC Services		244,159	13%
<i>All Service Types</i>		<i>1,842,500</i>	<i>100%</i>
Inpatient Admission Type			
Emergency		23,618	61%
Urgent		10,269	27%
Scheduled*		3,739	10%
Newborn		782	2%
Information Unavailable		42	0%
<i>All Inpatient Admissions</i>		<i>38,450</i>	<i>100%</i>

* Scheduled refers to services coded by hospitals as "elective," that were scheduled ahead of time; it does not indicate that the services were not medically necessary. For example, most surgeries to remove cancerous tumors are scheduled, and thus characterized as elective procedures.

responding free care application in order to verify free care eligibility; in PFY03, eighty-four percent of free care claims matched a corresponding application.

In PFY03, the Division received 1,842,500 claims for services billed to the Pool for 405,623 individuals (see Table 10). Of these, 75% were regular free care claims,

12% were emergency bad debt claims, and 13% were claims for care at free-standing community health centers. The vast majority of Pool users appeared to be uninsured. In PFY03, the Pool was the only payer for 89% of claims; for the 11% of users with other insurance (Medicare, MassHealth, or other), the Pool was the payer of last resort

and paid for deductibles, copays or uncovered services.

Eighty-five percent of claims to the Pool were for hospital outpatient services (including services provided at hospital-licensed community health centers), 2% were for inpatient services, and 13% were for services at free-standing community health centers. Eighty-eight percent of hospital admissions were for emergency or urgent care.

In PFY03, over half (51%) of Pool users resided in the metropolitan Boston region; almost 17% of Suffolk County residents received services billed to the Pool, compared with an average of 6% of residents statewide.

The Division of Health Care Finance and Policy has strict data confidentiality policies that prohibit the release of patient specific information.

Audits

The Division continues its audit activity. Compliance with the Division's regula-

tions both ensures fairness and increases accountability among providers. Audits also enhance the Division's ability to complete final settlements on outstanding Pool years.

The Division selects providers for audit based upon providers' historical billings to the Pool, free care application submissions, and other reporting requirements. Field audit teams visit hospitals and collect samples of free care applications and patient records to ensure that they comply with the laws and regulations governing free care.

The Division's audit activities have had an educational focus, emphasizing a collaborative effort between the agency and providers to learn and implement the regulations. A goal of the audits has been to identify issues and correct them system-wide through training. The Division has also used audits to inform Pool policy development. The Division has made adjustments to providers' payments from the Pool that will be implemented upon final settlement.

Section 9: Conclusion

Calculations contained in this report are based upon the most recently available Division of Health Care Finance and Policy data. If you have any

questions about the data or calculations, or need additional information, please contact:

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